

## Capital Outlay Summary

JLBC Analyst: Leatta McLaughlin

FY 2010  
APPROVED

### BUILDING RENEWAL

|                      |                  |
|----------------------|------------------|
| ADOA Building System | 3,306,100        |
| ADOT Building System | 1,050,000        |
| ABOR Building System | 0                |
| <b>SUBTOTAL</b>      | <b>4,356,100</b> |

### INDIVIDUAL PROJECTS

|                      |                    |
|----------------------|--------------------|
| ADOA Building System | 14,674,500         |
| ADOT Building System | 214,978,000        |
| ABOR Building System | 0                  |
| <b>SUBTOTAL</b>      | <b>229,652,500</b> |

### TOTALS

|                             |                    |
|-----------------------------|--------------------|
| ADOA Building System        | 17,980,600         |
| ADOT Building System        | 216,028,000        |
| ABOR Building System        | 0                  |
| <b>TOTAL - ALL PROJECTS</b> | <b>234,008,600</b> |

### FUND SOURCES

|  |                      |
|--|----------------------|
| General Fund                           | 10,400,000           |
| <u>Other Appropriated Funds</u>        |                      |
| State Aviation Fund                    | 27,178,000           |
| Capital Outlay Stabilization Fund      | 1,000,000            |
| Arizona Exposition and State Fair Fund | 1,832,900            |
| Game and Fish Fund                     | 758,200              |
| Game and Fish Capital Improvement Fund | 3,739,500            |
| State Highway Fund                     | 188,850,000          |
| Watercraft Licensing Fund              | 250,000              |
| SUBTOTAL - Other Appropriated Funds    | 223,608,600          |
| <b>SUBTOTAL - Appropriated Funds</b>   | <b>234,008,600</b>   |
| Other Non-Appropriated Funds           | 420,853,000          |
| Federal Funds                          | 552,692,000          |
| <b>TOTAL - ALL SOURCES</b>             | <b>1,207,553,600</b> |

**DESCRIPTION** — The Capital Outlay Budget consists of one-time appropriations to maintain, expand, or enhance the state's capital stock which includes office buildings, service centers, residential treatment centers, state parks, prisons, highways, and other facilities which support the missions of the various state agencies. For the purposes of capital management and planning, the state is divided into 3 building systems, the Arizona Department of Administration Building System, the Arizona Department of Transportation Building System, and the Arizona Board of Regents Building System. Capital appropriations are typically made through the Capital Outlay Bill, but may be made through other bills as well.

The following amounts are one-time appropriations.

**Capital Outlay** – The Capital Outlay budget provides a total of \$234,008,600 in FY 2010. Of the total, \$10,400,000 is from the General Fund and \$223,608,600 is from Other Appropriated Funds in FY 2010. The budget consists of 2 main categories: 1) Building Renewal, and 2) Individual Projects.

### Building Renewal

Building Renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula determined by the Joint Committee on Capital Review (JCCR). The formula takes into account the replacement value, age, and life-cycle of a building. Available appropriations are administered by the Arizona Department of Administration (ADOA) or individual

agencies within the ADOA Building System that have their own funding source for building renewal, the Arizona Department of Transportation (ADOT), and the Arizona Board of Regents (ABOR) for their respective building systems.

The budget provides total funding of \$4,356,100 for Building Renewal in FY 2010, which is from Other Funds. These amounts include:

|  |               |
|--|---------------|
| Arizona Department of Administration   |               |
| Capital Outlay Stabilization Fund @ 3% | \$1,000,000   |
| Exposition and State Fair Fund @ 100%  | 1,832,900     |
| Game and Fish Fund @ 100%              | 473,200       |
| State Lottery Fund @ 0%                | <u>0</u>      |
| Subtotal - ADOA                        | \$3,306,100   |
| Arizona Department of Transportation   |               |
| State Highway Fund @ 12%               | \$1,000,000   |
| State Aviation Fund @ 31%              | <u>50,000</u> |
| Subtotal - ADOT                        | \$1,050,000   |

(See the individual building systems write-ups for more information.)

### Individual Projects

The budget provides a total of \$229,652,500 for individual capital projects in FY 2010. Of the total, \$10,400,000 is from the General Fund and \$219,252,500 is from Other Appropriated Funds. (See the individual building systems write-ups for more information.)

### Long-Term Financing Summary

#### Privatized Lease-to-Own Facilities

Under a privatized lease-to-own (PLTO) agreement, a private entity finances and constructs a building and leases it to the state. At the end of the lease term, the state takes possession of the building.

ADOA entered into PLTO agreements with private entities for 3 office buildings on the Capitol Mall. The 3 buildings house ADOA, the Department of Environmental Quality, and the Department of Health Services. Table 1 provides information on current lease-to-own agreements.

| Table 1<br>Privatized Lease-to-Own<br>Summary |                   |                          |                     |                     |
|---|-------------------|--------------------------|---------------------|---------------------|
| Fund Type                                     | Original<br>Issue | FY 2010<br>Appropriation | FY 2010<br>Payment  | Lease<br>Completion |
| General Fund                                  | NA                | \$ 4,551,400             | \$ 4,678,200        | FY 2027             |
| Other<br>Approp.                              | NA                | 5,813,200                | 5,996,500           | FY 2027             |
| Non-Approp.                                   | NA                | 979,900                  | 1,025,400           | FY 2028             |
| <b>Total</b>                                  | <b>NA</b>         | <b>\$11,344,500</b>      | <b>\$11,700,100</b> | <b>NA</b>           |

### Lease-Purchase Facilities

Under a traditional lease-purchase agreement, the state issues Certificates of Participation (COPs) to generate proceeds to finance capital projects. ADOA and the universities have entered into lease-purchase agreements for the acquisition and construction of state facilities.

The School Facilities Board (SFB) also entered into lease-purchase agreements between FY 2003 and FY 2005 for the construction of new schools. In FY 2006 and FY 2007, new school construction was financed on a cash basis. The FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287) authorized SFB to enter into lease-purchase agreements again in FY 2009 for most of FY 2008 and all of FY 2009 new construction costs, with the annual debt service payments beginning in FY 2010.

The state has also committed to participating in repayment of \$300,000,000 for the expansion of the Phoenix Convention Center. The City of Phoenix issued \$600,000,000 in COPs in FY 2005. The project was completed in January 2009. The state is not required to begin repayment of its share of \$300,000,000, plus interest, until the following year in FY 2010.

The FY 2010 Criminal Justice BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6) authorizes ADOA to enter into 1 or more sale and simultaneous lease-purchase agreements in FY 2010 for existing state-owned facilities, including prison facilities. Any lease-purchase agreements is required to: 1) result in proceeds totaling \$735,419,300 to the General Fund in FY 2010, with not more than \$250,000,000 prior to December 31, 2009, 2) be for a fixed term of up to 20 years, 3) result in an initial lease-purchase payment in FY 2011, and 4) require the Arizona Department of Corrections (ADC), or other state agencies and boards, including any private contractors, to maintain operations at the facilities in which are sold and simultaneously leased back. The transaction is required to be completed by June 30, 2010 and ADOA will consult with ADC if a transaction involves a state-owned prison facility.

Table 2 provides information related to current state lease-purchase agreements.

### Bonding Summary

ABOR, on behalf of the universities, ADOT, and SFB have issued bonds to renovate, acquire, and construct facilities, as well as purchase equipment.

SFB has also issued Qualified Zone Academy Bonds (QZABs). The QZAB program, enacted through federal legislation, allows state and local agencies to issue QZABs at low interest rates by providing federal tax credits to bond holders. SFB issued \$20,000,000 in QZABs in FY 2003. The debt service on QZABs is paid from Permanent State School Fund revenues.

The FY 2010 Education BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12) requires SFB to issue up to \$100,000,000 of Qualified School Construction Bonds in FY 2010 as authorized by the American Reinvestment and Recovery Act of 2009 to be spent on new construction projects only. *(Please see the SFB budget narrative pages for more information.)*

Table 2 also shows the outstanding bond balances and the payment for FY 2010 for current bond issuances.

| Table 2                                     | Lease-Purchase Summary |                         |
|---|------------------------|-------------------------|
|   | Balance <sup>1/</sup>  | FY 2010 Pymt            |
| <u>ADOA Building System</u>                 |                        |                         |
| <b>2001A/B Issuance/Refinance</b>           |                        |                         |
| Prisons/ENSCO                               | 4,096,700              | 2,868,200               |
| Revenue Building                            | 1,577,000              | 1,104,100               |
| DES Homes                                   | 201,500                | 141,100                 |
| Capital Center                              | 1,174,700              | 822,500                 |
| Subtotal                                    | 7,049,900              | 4,935,900               |
| <b>2002A Issuance:</b>                      |                        |                         |
| Health Laboratory                           | 22,110,000             | 2,319,900               |
| <b>2002B Issuance/Refinance</b>             |                        |                         |
| 16th Ave. Parking                           | 908,800                | 423,000                 |
| Courts Building                             | 8,133,800              | 3,752,400               |
| Historical Museum                           | 2,992,400              | 1,383,600               |
| ASDB Food Service                           | 903,800                | 417,500                 |
| DES West                                    | 7,169,800              | 3,315,600               |
| Tucson Building                             | 5,156,400              | 2,385,200               |
| Subtotal                                    | 25,265,000             | 11,677,300              |
| <b>2004A Issuance/Refinance</b>             |                        |                         |
| Records Management                          | 468,000                | 232,400                 |
| Library for the Blind                       | 15,200                 | 113,900                 |
| ASDB Projects                               | 3,105,600              | 1,492,500               |
| 1616 West Adams                             | 15,200                 | 720,200                 |
| Tonto Natural Bridge                        | 926,100                | 448,300                 |
| Subtotal                                    | 4,530,100              | 3,007,300               |
| <b>2004B Issuance</b>                       |                        |                         |
| ADC Prison Expansions                       | 22,865,000             | 3,189,800               |
| <b>2008A Issuance</b>                       |                        |                         |
| ADC 4000 Prison Beds, Water, and Wastewater | 199,590,000            | 16,722,300              |
| DHS Forensic Hospital                       | 30,440,000             | 3,111,700               |
| Subtotal                                    | 230,030,000            | 19,834,000              |
| <b>New Issuance</b>                         |                        |                         |
| ADOA/ADC Sale/Lease-Back                    | 735,419,300            | 0 <sup>2/</sup>         |
| Subtotal - ADOA                             | 1,047,269,300          | 44,964,200              |
| <u>School Facilities Board</u>              |                        |                         |
| New School Construction - FY 2003 - FY 2005 | 711,330,000            | 78,325,200              |
| New School Construction - FY 2008 - FY 2009 | 580,035,000            | 30,358,100              |
| Subtotal                                    | 1,291,365,000          | 108,683,300             |
| <u>ABOR Building System</u>                 |                        |                         |
| Arizona State University                    | 325,114,000            | 26,895,000              |
| Northern Arizona University                 | 138,232,000            | 7,430,000               |
| University of Arizona                       | 556,894,000            | 43,603,000              |
| Subtotal - ABOR                             | 1,020,240,000          | 77,928,000              |
| Phoenix Convention Center                   | 300,000,000            | 5,000,000 <sup>3/</sup> |
| TOTAL - Lease-Purchase                      | 3,658,874,300          | 236,575,500             |

|   | Bonding Summary             |                    |
|---|-----------------------------|--------------------|
|   | Balance <sup>1/</sup>       | FY 2010 Pymt.      |
| <u>School Facilities Board</u>  |                             |                    |
| Deficiencies Correction:  |                             |                    |
| Proposition 301   | 592,291,200                 | 65,842,800         |
| State Land Trust - FY 2004  | 170,115,000                 | 24,249,000         |
| Qualified School Construction Bonds   | 100,000,000                 | 0 <sup>2/</sup>    |
| Subtotal - SFB  | 862,406,200                 | 90,091,800         |
| Department of Transportation  | 3,161,000,000 <sup>4/</sup> | 282,007,000        |
| <u>ABOR Building System</u>   |                             |                    |
| Arizona State University  | 432,540,000                 | 42,001,000         |
| Northern Arizona University   | 150,710,000                 | 12,414,000         |
| University of Arizona   | 319,005,000                 | 38,136,000         |
| FY 2009 Capital Bond  | 800,000,000 <sup>5/</sup>   | 0 <sup>2/</sup>    |
| Subtotal - ABOR   | 1,702,255,000               | 92,551,000         |
| TOTAL - Bonding   | 5,725,661,200               | 464,649,800        |
| <b>TOTAL</b>  | <b>9,384,535,500</b>        | <b>701,225,300</b> |
| <sup>1/</sup> Represents principal balances. ADOA balances are as of June 30, 2010. All other balances as of June 30, 2008.   |                             |                    |
| <sup>2/</sup> The debt service will not begin until FY 2011.  |                             |                    |
| <sup>3/</sup> The Convention Center debt service will eventually increase over a number of years to a maximum of \$30,000,000.  |                             |                    |
| <sup>4/</sup> Includes \$1,807,000,000 for HURF bonds, \$736,000,000 for MRARF bonds, \$418,000,000 for GANs, and \$200,000,000 for BFOs.   |                             |                    |
| <sup>5/</sup> Includes \$376,000,000 for construction of the University of Arizona Phoenix Biomedical Campus. Laws 2008, Chapter 287 originally authorized \$1,000,000,000 of debt including \$470,000,000 for the Biomedical Campus, however, Laws 2009, 1 <sup>st</sup> Special Session, Chapter 6 reduced the total bonding authority from \$1,000,000,000 to \$800,000,000. |                             |                    |

## Capital Outlay

### Arizona Department of Administration Building System

JLBC Analyst: Leatta McLaughlin/Caitlin Acker

|  | FY 2009<br>ADJUSTMENTS | FY 2010<br>APPROVED |
|--|------------------------|---------------------|
| <b>BUILDING RENEWAL</b>                              |                        |                     |
| Arizona Department of Administration <sup>1/</sup>   |                        | 1,000,000           |
| Arizona Exposition and State Fair Board              |                        | 1,832,900           |
| Game and Fish Department                             |                        | 473,200             |
| Arizona Lottery Commission                           |                        | 0                   |
| <b>SUBTOTAL<sup>2/</sup></b>                         |                        | <b>3,306,100</b>    |
| <b>INDIVIDUAL PROJECTS<sup>3/</sup></b>              |                        |                     |
| <b>Arizona Exposition and State Fair Board</b>       |                        |                     |
| Pari-Mutuel Fund Shift                               |                        | 400,000             |
| <b>Game and Fish</b>                                 |                        |                     |
| Ben Avery Improvements                               |                        | 950,000             |
| Shooting Range Access                                |                        | 150,000             |
| Silver Creek Hatchery Remodel/Expansion              |                        | 1,900,000           |
| Radio Tower  |                        | 250,000             |
| Preventative Maintenance                             |                        | 30,000              |
| Regional (Kingman) Office Remodel/Expansion          |                        | 889,500             |
| Regional (Pinetop) Office Paving Project             |                        | 75,000              |
| Regional (Pinetop) Office Canopies                   |                        | 30,000              |
| <b>Department of Veterans' Services</b>              |                        |                     |
| Southern Arizona Veterans' Home                      |                        | 10,000,000          |
| <b>SUBTOTAL</b>                                      |                        | <b>14,674,500</b>   |
| <b>TOTAL - ALL PROJECTS</b>                          |                        | <b>17,980,600</b>   |
| <b>FY 2009 MIDYEAR BUDGET REVISIONS<sup>4/</sup></b> |                        |                     |
| Prescott Historical Society Maintenance Facility     | (393,200)              |                     |
| Former Health Lab Renovation                         | (1,207,000)            |                     |
| DOC Prison Cell Door and Lock Replacement            | (3,200,000)            |                     |
| Yuma Welcome Center                                  | (600,000)              |                     |
| DPS Microwave Communications Systems                 | (250,000)              |                     |
| <b>SUBTOTAL</b>                                      | <b>(5,650,200)</b>     |                     |
| <b>FUND SOURCES</b>                                  |                        |                     |
| General Fund   | (5,650,500)            | 10,400,000          |
| <u>Other Appropriated Funds</u>                      |                        |                     |
| Capital Outlay Stabilization Fund                    | 0                      | 1,000,000           |
| Arizona Exposition and State Fair Fund               | 0                      | 1,832,900           |
| Game and Fish Fund                                   | 0                      | 758,200             |
| Game and Fish Capital Improvement Fund               | 0                      | 3,739,500           |
| Watercraft Licensing Fund                            | 0                      | 250,000             |
| <b>SUBTOTAL - Other Appropriated Funds</b>           | <b>0</b>               | <b>7,580,600</b>    |
| <b>SUBTOTAL - Appropriated Funds</b>                 | <b>(5,650,500)</b>     | <b>17,980,600</b>   |
| <b>TOTAL - ALL SOURCES<sup>5/6/7/8/</sup></b>        | <b>(5,650,000)</b>     | <b>17,980,600</b>   |

**DESCRIPTION** — The Arizona Department of Administration (ADOA) Building System is comprised of buildings controlled by all state agencies except the Arizona Board of Regents and Arizona Department of Transportation. Capital appropriations may be made directly to an agency within the system, to ADOA on behalf of an agency, or to ADOA for the entire system. The following amounts for FY 2009 are for specific projects within the building system. Appropriations for ADOA Building System projects may be from the General Fund or Other Funds.

Unless otherwise specified, funding for capital projects was appropriated by Laws 2009, 1<sup>st</sup> Regular Session, Chapter 10 (FY 2010 Capital Outlay Bill).

## **Building Renewal**

### **Building Renewal**

The budget includes \$3,306,100 from Other Appropriated Funds for Building Renewal within the Arizona Department of Administration (ADOA) Building System in FY 2010. This amount consists of:

- \$1,000,000 from the Capital Outlay Stabilization Fund to ADOA to fund 3% of the building renewal formula. In FY 2009, the formula was funded at \$6,100,000, or 20%.
- \$1,832,900 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board to fund 100% of the building renewal formula.
- \$473,200 from the Game and Fish Fund to the Arizona Game and Fish Department to fund 100% of the building renewal formula.
- \$0 from the State Lottery Fund to the Arizona State Lottery Commission to fund 0% of the building renewal formula.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The budget continues footnotes that allow up to \$275,000 and up to 5 FTE Positions be appropriated each year from building renewal monies to ADOA for supervision and management of building renewal projects, and a

requirement that unused building renewal monies revert on June 30, 2011.

## **Arizona Exposition and State Fair Board**

### **Pari-Mutuel Fund Shift**

The budget includes \$400,000 from the General Fund to the Arizona Exposition and State Fair Board for a pari-mutuel fund shift in FY 2010. The pari-mutuel tax is assessed on the amount of money wagered at horse and dog racing facilities and simulcasts in the state. Statute currently requires the board's Capital Outlay Fund, a Non-Appropriated Fund, to receive the lesser of \$400,000 or 11% of total pari-mutuel collections each year. The fund received \$400,000 of pari-mutuel collections in FY 2008.

The FY 2010 budget presumed the passage of legislation to permanently repeal the pari-mutuel formula and require pari-mutuel revenues to be deposited into the General Fund instead of the board's Capital Outlay Fund (SB 1025, 3<sup>rd</sup> Special Session). The Governor vetoed this bill. Since this bill was vetoed, the department will receive \$400,000 from the General Fund in FY 2010 along with the FY 2010 statutory formula pari-mutuel distribution.

## **Game and Fish Department**

The budget includes \$4,274,500 from Other Appropriated Funds for Arizona Game and Fish Department projects in FY 2010. This amount consists of:

|  | <b><u>FY2010</u></b> |
|--|----------------------|
| Game and Fish Capital Improvement Fund | \$3,739,500          |
| Game and Fish Fund                     | 285,000              |
| Watercraft Licensing Fund              | 250,000              |

- <sup>1/</sup> The Department of Administration shall allocate the monies to state agencies for necessary building renewal. If monies in the Capital Outlay Stabilization Fund are insufficient to fund the appropriation to the Department of Administration for building renewal, the appropriation to the Department of Administration shall be reduced by the difference between the amount appropriated to the Department of Administration from the Capital Outlay Stabilization Fund and the balance in the Capital Outlay Stabilization Fund. (Capital Outlay Appropriation Act footnote)
- <sup>2/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2010 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Twenty-five per cent or less of the monies may be spent for state building modifications to comply with the federal Americans With Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. These monies may be used only for facilities on the state building inventory or for infrastructure that directly supports those facilities. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2010 that are unexpended or unencumbered on June 30, 2011 shall revert to the fund from which the monies were appropriated. The building renewal expenditure plans submitted by agencies for review by the Joint Committee on Capital Review shall identify the components for each project that incorporate energy efficient systems. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> Pursuant to A.R.S. § 41-1252, the Joint Committee on Capital Review shall review the scope, purpose, and estimated cost of a new capital project that has an estimated cost greater than \$250,000. In addition, the Capital Outlay Appropriation Act may include similar requirements.
- <sup>4/</sup> These FY 2009 midyear budget revisions were made in Laws 2009, 1<sup>st</sup> Special Session, Chapter 2.
- <sup>5/</sup> Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- <sup>7/</sup> The Department of Administration shall report on the status of project-specific FTE Positions for capital projects in its annual capital budget request. (Capital Outlay Appropriation Act footnote)
- <sup>8/</sup> The Department of Administration may allocate FTE Positions authorized for specific projects to other projects in this act provided that funding for the FTE Positions is cost allocated among the projects receiving benefit. The Department of Administration shall report any FTE Position reallocations to the Joint Committee on Capital Review by December 31, 2009. (Capital Outlay Appropriation Act footnote)

*(All Building Renewal and Statewide Facilities Improvements, including preventative maintenance, are funded from the Game and Fish Fund.)*

### **Game and Fish Statewide Projects**

#### **Ben Avery Shooting Facility Improvement**

The budget includes \$950,000 from the Game and Fish Capital Improvement Fund for improvements to the Ben Avery Shooting Facility in FY 2010. This funding provides \$250,000 for roadway reconstruction and resurfacing from the access road to the Clay Target Center as well as a new facility entrance. It also provides \$700,000 to replace the current water system that serves the facility. This will be the first of 2 phases for the project.

#### **Shooting Range Access**

The budget includes \$150,000 from the Game and Fish Fund for shooting range access improvements in FY 2010. The same amount was appropriated for this project in FY 2008 and FY 2009, and \$200,000 was appropriated in FY 2007. These improvements will partially resurface roadways at the department's 5 shooting ranges, which are generally unpaved or paved to light-duty standards.

#### **Silver Creek Hatchery Remodel/Expansion**

The budget includes \$1,900,000 from the Game and Fish Capital Improvement Fund for the expansion and renovation of the Silver Creek Hatchery located near Show Low in FY 2010.

This amount funds the first of 2 phases of hatchery construction and includes renovating the upper and lower springs to maximize fish production. The renovation will result in a fivefold increase in fish production as well as enable the hatchery to start an Apache Trout brood stock program. The department also plans to construct a hatching and rearing building. Currently, Apache Trout are hatched and raised at the Tonto Creek Hatchery. The department will also construct an isolation facility for bringing in wild fish, provide power to the hatchery and improve the surrounding access roads. The total cost for the first phase of hatchery construction will be \$1,430,000.

Expansion plans also include construction of a 3,000 square foot office and shop as well as an 800 square foot visitor's center. Total construction costs are estimated to be \$300,000, or \$78.95 per square foot. An additional \$100,000 will be spent on hatchery equipment and \$70,000 will be used to pave a path from the access road to the hatchery residences.

The second phase is expected to cost \$1,000,000 in FY 2011 and would include installation of pumping facilities and rearing ponds.

#### **Radio Tower**

The budget includes \$250,000 from the Watercraft Licensing Fund for a radio tower in FY 2010. This funding will be used to construct a radio tower along the Colorado River. The new tower will provide radio coverage for law enforcement officers in remote wilderness areas. In FY 2008 and FY 2009, funding for this project appeared in the operating budget.

#### **Preventative Maintenance**

The budget includes \$30,000 from the Game and Fish Fund to provide funding for preventative maintenance in FY 2010. The program was initiated in FY 2005 and was anticipated to receive ongoing annual funding. The program addresses unexpected facility maintenance expenses requiring immediate action and is separate from building renewal projects.

### **Game and Fish Region III (Kingman) Projects**

#### **Kingman Regional Office Remodel/Expansion**

The budget includes \$889,500 from the Game and Fish Capital Improvement Fund for the expansion and renovation of the regional office located in Kingman in FY 2010.

Originally built in 1991, the current office is approximately 6,000 square feet in size. This expansion will add a total of 2,550 square feet, adding 1,800 square feet of additional office space and enlarging the conference room by 750 square feet. The department estimates the cost per square foot for new construction at \$192, which includes a 10% project contingency rate. This amount is reasonable for a project of this type.

In addition, the adjacent warehouse building will also be expanded from 3,750 square feet to 7,500 square feet. Total costs to expand the office and warehouse buildings are estimated by the department to be \$770,900.

The current office building will also be renovated during the expansion, replacing the existing carpet and painting the exterior and interior of the building. The capacity of the electrical and HVAC systems will be upgraded to accommodate the additional space. Renovation costs for this project are anticipated to be \$118,600.

### **Game and Fish Region I (Pinetop) Projects**

#### **Pinetop Regional Office Paving Project**

The budget includes \$75,000 from the Game and Fish Fund for paving around the new warehouse building at the Pinetop Regional Office in FY 2010. Paving will improve dust control and also mitigate on-site drainage problems.

#### **Pinetop Regional Office Canopies**

The budget includes \$30,000 from the Game and Fish Fund for the construction of an equipment storage canopy at the Pinetop Regional Office in FY 2010. This 5-bay

canopy will serve as storage for department equipment such as boats and off-highway vehicles.

Similar projects funded in FY 2008 and FY 2009 had an estimated cost of \$6,000 per canopy bay. This amount is consistent with the estimated cost per canopy bay at the Pinetop Regional Office.

### **Department of Veterans' Services**

#### **Southern Arizona Veterans' Home**

The budget provides \$10,000,000 from the General Fund to the Department of Veterans' Services for construction of the Southern Arizona State Veterans' Home in Tucson in FY 2010.

Laws 2006, Chapter 356 originally appropriated \$10,000,000 in FY 2007, however, Laws 2008, Chapter 53 reverted the entire appropriation back to the General Fund in FY 2008 and reappropriated the \$10,000,000 back to the department in FY 2009. Then Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 reverted the entire appropriation back to the General Fund in FY 2009 and appropriated the \$10,000,000 back to the department again in FY 2010.

The amount provides a 35% match, as required by the U.S. Department of Veterans Affairs in order to receive a grant for the remaining 65% of construction costs. The home will have sufficient capacity to serve 180 veterans and will be located adjacent to the Department of Veterans' Affairs Medical Center.

### **FY 2009 Midyear Budget Revisions**

#### **Prescott Historical Society Maintenance Facility**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 includes a FY 2009 midyear budget revision of \$(393,200) for a prior year appropriation. Laws 2006, Chapter 345 appropriated \$400,000 from the General Fund to the Prescott Historical Society for a maintenance and workshop facility in FY 2007. At the time the revision was made, the agency had already expended \$6,800 of the \$400,000 appropriation for design, engineering studies, and preliminary site preparation.

#### **Former Health Lab Renovation**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 includes a FY 2009 midyear budget revision of \$(1,207,000) for a prior year appropriation. Laws 2007, Chapter 257 advance appropriated \$2,207,000 from the General Fund to ADOA for the renovation of the former state health laboratory in both FY 2008 and FY 2009. However, Laws 2008, Chapter 53 reverted \$(1,000,000) of the FY 2008 appropriation to the General Fund in FY 2008. Laws 2008, Chapter 289 reverted the entire \$(2,207,000) FY 2009 appropriation to the General Fund in FY 2009. Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 reverted the remaining \$(1,207,000) of the FY 2008 appropriation back to the General Fund in FY 2009.

#### **DOC Prison Cell Door and Lock Replacement**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 includes a FY 2009 midyear revision of \$(3,200,000) for a prior year appropriation. Laws 2007, Chapter 257 appropriated \$5,200,000 from the General Fund to ADOA for continued replacement of cell doors and locks throughout the prison system in FY 2008. However, Laws 2008, Chapter 53 reverted \$(2,000,000) of the appropriation back to the General Fund in FY 2009 while Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 reverted the remaining \$(3,200,000) back to the General Fund in FY 2009.

#### **Yuma Welcome Center**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 includes a FY 2009 midyear revision of \$(600,000) for a prior year appropriation. Laws 2006, Chapter 335 appropriated \$2,000,000 from the General Fund to the Office of Tourism for a Yuma Welcome Center in FY 2007 while Laws 2007, Chapter 257 advance appropriated \$1,000,000 in both FY 2008 and FY 2009. However, Laws 2008, Chapter 53 reverted \$(1,500,000) of the \$2,000,000 FY 2007 appropriation and the entire FY 2008 appropriation to the General Fund in FY 2009. Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 reverted \$(600,000) of the \$1,000,000 FY 2009 appropriation back to the General Fund in FY 2009. This leaves the project with total funding of \$900,000, which includes \$500,000 from FY 2007 and \$400,000 from FY 2009.

#### **DPS Microwave Communications System**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 includes a FY 2009 midyear revision of \$(250,000) for a prior year appropriation. Laws 2006, Chapter 345 advance appropriated \$1,500,000 to the Department of Public Safety to upgrade its microwave communications system in FY 2007, FY 2008, and FY 2009. However, Laws 2008, Chapter 53 reverted \$(500,000) of the FY 2008 appropriation to the General Fund in FY 2008 while Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 reverted \$(250,000) of the FY 2009 appropriation to the General Fund in FY 2009.

### **FY 2010 Budget Revision**

#### **Legislative Council**

The FY 2010 Capital Outlay Bill includes a FY 2010 budget revision of \$(450,000) for a prior year appropriation. Laws 2006, Chapter 350 as amended by Laws 2008, Chapter 313 appropriated \$500,000 from the General Fund for a statewide plan, activities, and projects relating to the Arizona centennial celebration in FY 2007. Of the \$500,000, \$450,000 was for Legislative Council and the remaining \$50,000 was for the Arizona Historical Advisory Commission. The FY 2010 Capital Outlay Bill reverted Legislative Council's \$450,000 appropriation to the General Fund in FY 2010.

## ***Additional Legislation***

### ***DEMA Operations Center***

The FY 2009 Capital Outlay Bill authorized ADOA to enter into a 15-year \$7,500,000 lease-purchase agreement, with the first debt payment to be scheduled in FY 2011, to fund the design and construction of a state emergency operations center. The center was to be operated by the Department of Emergency and Military Affairs. The FY 2010 General Government Budget Reconciliation Bill (BRB) (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 7) repeals this lease-purchase authority.

### ***Sale & Simultaneous Lease-Purchase***

The FY 2010 Criminal Justice BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6) authorizes ADOA to enter into 1 or more sale and simultaneous lease-purchase agreements in FY 2010 for existing state-owned facilities, including prison facilities. Any lease-purchase agreements is required to: 1) result in proceeds totaling \$735,419,300 to the General Fund in FY 2010, with not more than \$250,000,000 prior to December 31, 2009, 2) be for a fixed term of up to 20 years, 3) result in an initial lease-purchase payment in FY 2011, and 4) require the Arizona Department of Corrections (ADC), or other state agencies and boards, including any private contractors, to maintain operations at the facilities in which are sold and simultaneously leased back. The transaction is required to be completed by June 30, 2010 and ADOA will consult with ADC if a transaction involves a state-owned prison facility.

### ***Department of Agriculture Laboratory Sale***

The FY 2010 State Properties BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 8) requires ADOA to sell the Department of Agriculture Laboratory, excluding the 2 trailers currently on the property, located at 2422 W. Holly in Phoenix. The laboratory is to be sold in FY 2010, and the proceeds from the sale will be deposited into the General Fund.



# Capital Outlay

## Arizona Department of Transportation Building System

JLBC Analyst: Juan Beltran/Bob Hull/Leatta McLaughlin

FY 2010  
APPROVED

### BUILDING RENEWAL

|                                     |                  |
|-------------------------------------|------------------|
| ADOT Building Renewal <sup>1/</sup> | 1,050,000        |
| <b>SUBTOTAL</b>                     | <b>1,050,000</b> |

### INDIVIDUAL PROJECTS

|  |                    |
|--|--------------------|
| Airport Planning and Development <sup>2/</sup> | 27,128,000         |
| Statewide Highway Construction <sup>3/</sup>   | 187,850,000        |
| <b>SUBTOTAL</b>                                | <b>214,978,000</b> |

|   |                    |
|---|--------------------|
| <b>TOTAL - ALL PROJECTS</b> <sup>4/5/</sup> | <b>216,028,000</b> |
|---|--------------------|

### FUND SOURCES

#### Other Appropriated Funds

|  |                    |
|--|--------------------|
| State Aviation Fund                        | 27,178,000         |
| State Highway Fund                         | 188,850,000        |
| <b>SUBTOTAL - Other Appropriated Funds</b> | <b>216,028,000</b> |
| <b>SUBTOTAL - Appropriated Funds</b>       | <b>216,028,000</b> |

|                              |                      |
|------------------------------|----------------------|
| Other Non-Appropriated Funds | 420,853,000          |
| Federal Funds <sup>6/</sup>  | 552,692,000          |
| <b>TOTAL - ALL SOURCES</b>   | <b>1,189,573,000</b> |

**DESCRIPTION** — The Arizona Department of Transportation (ADOT) Building System includes all buildings and highways controlled by ADOT. The following includes amounts for state highway construction and other projects related to ADOT's mission. Most appropriations for ADOT projects are from the State Highway Fund and the State Aviation Fund.

- <sup>1/</sup> Notwithstanding A.R.S. § 41-793.01, the amounts appropriated in this section are appropriated for FY 2010 and shall be used by the applicable agency for major maintenance and repair activities for state buildings in accordance with Title 41, Chapter 4, Article 7, Arizona Revised Statutes. Twenty-five per cent or less of the monies may be spent for state building modifications to comply with the federal Americans With Disabilities Act (42 United States Code sections 12101 through 12213 and 47 United States Code sections 225 and 611) or for major maintenance and repair activities for state infrastructure. The monies may be used only for facilities on the state building inventory or for infrastructure that directly supports those facilities. Of the amounts appropriated to the Department of Administration, up to \$275,000 in Personal Services and Employee-Related Expenditures for up to 5 FTE Positions may be allocated each fiscal year until the building renewal projects are completed. All other monies appropriated in this section shall not be spent for Personal Services or Employee Related Expenditures or for maintenance contracts on building components and equipment without review by the Joint Committee on Capital Review. Any monies appropriated for building renewal in FY 2010 that are unexpended or unencumbered on June 30, 2011 shall revert to the fund from which the monies were appropriated. The building renewal expenditure plans submitted by agencies for review by the Joint Committee on Capital Review shall identify the components for each project that incorporate energy efficient systems. (Capital Outlay Appropriation Act footnote)
- <sup>2/</sup> The amount is appropriated from the State Aviation Fund for the planning, construction, development and improvement of state, county, city or town airports as determined by the State Transportation Board. Any balances and collections in the State Aviation Fund in excess of the specific amounts appropriated in the General Appropriations Act and in this act are appropriated to the Department of Transportation for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- <sup>3/</sup> The amount appropriated for highway construction is from the State Highway Fund for the planning and construction of state highways, including the national system of interstate highways within this state, the state primary or secondary system, the county primary or secondary system and urban rural routes, the acquisition of rights-of-way, the cost of contracted field administration and field engineering on construction projects and debt service payments on bonds issued for highway construction. Any balances and collections in the State Highway Fund in excess of the specific amounts appropriated in the General Appropriation Act and in this act are appropriated to the department for the purposes provided in this paragraph. (Capital Outlay Appropriation Act footnote)
- <sup>4/</sup> Unless otherwise specified, the monies appropriated in this act shall not be spent for Personal Services or Employee Related Expenditures of state employees, excluding any services provided as part of the inmate construction program for correctional facilities. (Capital Outlay Appropriation Act footnote)
- <sup>5/</sup> Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance. (Capital Outlay Appropriation Act footnote)
- <sup>6/</sup> This amount excludes American Recovery and Reinvestment Act funds.

Unless otherwise specified, funding for capital projects was appropriated by Laws 2009, 1<sup>st</sup> Regular Session, Chapter 10 (FY 2010 Capital Outlay Bill).

### Building Renewal

The budget includes \$1,050,000 for Building Renewal within the Arizona Department of Transportation (ADOT) Building System in FY 2010. This amount consists of \$1,000,000 from the State Highway Fund (SHF) and \$50,000 from the State Aviation Fund. The SHF amount is for the ADOT Building System and the State Aviation amount is for the Grand Canyon Airport.

Building renewal appropriations are used for major repair and maintenance of state-owned buildings. The formula is based on the square footage and replacement cost of existing buildings. The amounts represent 12% funding of the revised highways building renewal formula and 31% funding of the aviation building renewal formula.

### Airport Planning and Development

The budget includes \$27,128,000 from the State Aviation Fund for the department's airport construction program in FY 2010. Fund revenues are generated from a flight property tax, aircraft lieu tax, and revenues from the operations of Grand Canyon Airport.

### Statewide Highway Construction

The budget includes \$187,850,000 from SHF in FY 2010 for highway construction and debt service on bonds. A footnote in the FY 2010 Capital Outlay Bill appropriates any additional monies in SHF above the appropriations to ADOT for highway construction (*Please see Footnote 3*). The budget estimates were originally based on Highway User Revenue Fund (HURF) revenues of \$1,308,000,000 in FY 2010. In FY 2009, HURF revenues were only \$1,248,582,900 and are now expected to remain at approximately that level of \$1,248,600,000 for FY 2010.

As a result of the enactment of other legislation that requires Vehicle License Tax (VLT) transfers to the General Fund and shifting funding sources for the Motor Vehicle Division (MVD), a revised estimate of \$183,620,000 is expected to be available for highway construction and debt service. As part of the overall reduction, debt service payments are actually expected to decrease by \$(7,442,000), from \$101,813,000 to \$94,371,000 because only \$180,000,000 of the previously estimated \$300,000,000 of HURF bonds were issued in FY 2009.

As part of these estimates and a controlled access increase, the overall amount of new Highway Funds available for highway construction is projected to decrease from \$539,000 in the FY 2010 Capital Outlay Bill to \$(82,663,000). Since SHF cannot literally run a deficit, this \$(82,663,000) will be absorbed by other proceeds and fund balances. (*Please see discussion below and Table 5.*)

The decline in Highway Funds from \$539,000 in the FY 2010 Capital Outlay Bill to a revised estimate of \$(82,663,000) is due to the following factors:

- A decrease in estimated HURF revenue collections. The original budget estimate was based on HURF revenue collections of \$1,308,000,000 in FY 2010. HURF revenue collections are now estimated at \$1,248,600,000 in FY 2010.
- A transfer of \$15,170,600 of VLT to the General Fund.
- An FY 2010 appropriation of \$101,941,100 from SHF for MVD's operating budget. Appropriating this amount from SHF instead of HURF, as assumed in the FY 2010 Baseline Budget, does not allow the cost of MVD to be shared with cities and counties.

Table 1 shows the allocation of the enacted budget and revised amounts related to highway construction.

**Table 1**

#### FY 2010 Highway Construction & Debt Service

|                      | Capital Outlay       |                      |
|----------------------|----------------------|----------------------|
|                      | Bill                 | Revised              |
| Highway Construction | \$ 539,000           | \$ 0 <sup>1/</sup>   |
| Controlled Access    | 85,498,000           | 89,249,000           |
| Debt Service         | 101,813,000          | 94,371,000           |
| <b>Total</b>         | <b>\$187,850,000</b> | <b>\$183,620,000</b> |

<sup>1/</sup> The overall amount of new Highway Funds available for highway construction is projected to be \$(82,663,000.) Since SHF cannot literally run a deficit, this amount is shown as \$0.

As noted in the HURF distribution table (*please see Table 5*), an additional amount of \$287,413,000 from unspent FY 2009 State Highway monies and the Statewide Transportation Acceleration Needs Account (STAN) will also be available in FY 2010. But because of the estimated \$(82,663,000) shortfall, a total of \$204,750,000 will be available. (*Please see Table 5 for additional information*)

Expenditure of highway construction funding is determined by the Transportation Board, which develops a 5-year plan. Controlled Access funding is dedicated to urban highway construction. The Maricopa Association of Governments receives 75% and the Pima County Association of Governments receives 25%. Debt Service funding represents the appropriated portion of debt service on bonds. ADOT has approximately \$2.8 billion in outstanding bonds and other long-term debt. The payment to debt service listed in the above table represents the appropriated portion of FY 2010 debt service payments.

#### Summary of Highway Construction

The State Transportation Board oversees the department's highway construction program. The 5-Year Highway Construction Program adopted by the Board on June 19,

2009 includes monies from SHF, Federal Funds, Maricopa Regional Area Road Fund, HURF for controlled access roads, and bond revenues. The highway construction program adopted by the State Transportation Board totals \$1,673,370,000 for FY 2010, including \$1,398,490,000 for construction and maintenance projects scheduled to begin in FY 2010, and \$274,880,000 for debt service. (Please see Table 2 for additional details.)

### Total Highway Construction Funding

Only a small portion of the state's total highway construction funding is appropriated. Table 3 summarizes all estimated revenues and expenditures for FY 2010, on a cash flow basis as provided by the department. The previous Table 2, which shows the highway construction program adopted by the State Transportation Board, presents a different view since it shows the total dollar cost of highway projects scheduled to begin in FY 2010.

Of the revenue amounts, only the Statewide Highway Construction and Controlled Access Highways amounts are appropriated. Of the expenditure amounts, only a portion of Debt Service is appropriated.

**Table 2**  
**Highway Construction Program Adopted by the State Transportation Board and Estimated Debt Service Payments**

|                                       | <b>FY 2010</b>         |
|---------------------------------------|------------------------|
| Construction                          | \$ 309,561,000         |
| Urban Controlled Access <sup>1/</sup> | 772,853,000            |
| Pavement Preservation Maintenance     | 126,420,000            |
| Other <sup>2/</sup>                   | 189,656,000            |
| Debt Service <sup>3/</sup>            | 274,880,000            |
| <b>Total</b>                          | <b>\$1,673,370,000</b> |

- <sup>1/</sup> Includes expenditures from HURF for controlled access and from the Maricopa Regional Area Road Fund.
- <sup>2/</sup> Includes construction preparation, contingency set-asides, and related highway construction and maintenance items.
- <sup>3/</sup> Information provided by the department. Includes \$94,371,000 for SHF statewide construction bonds; \$61,429,000 for HURF, Maricopa Association of Governments, and Pima Association of Governments controlled access bonds; \$71,540,000 for Maricopa Regional Area Road Fund Bonds; and \$47,540,000 for Grant Anticipation Notes.

### Highway User Revenue Fund Analysis

HURF consists of monies received in the state from transportation-related licenses, taxes, fees, penalties and interest such as the motor vehicle fuel tax, vehicle license tax, vehicle registration, driver's license, and others. Table 4 explains the formula distribution of HURF monies between state and local governments. Table 5 presents the overall HURF distribution for FY 2008 through FY 2010. The line in Table 5, which shows Net SHF Monies Available for Statewide Highway Construction, does not include Maricopa County and Pima County Controlled Access Funds, Bond Funds, Federal Funds, and Miscellaneous Funds available for construction. The line represents the amount that is available from the

discretionary SHF to fund the State Transportation Board's 5-Year Plan. To eliminate the negative \$(106,028,000) SHF balance in FY 2009, ADOT self-imposed an operating budget reduction of at least 8% and a freeze on capital outlay and building renewal expenditures.

**Table 3**

### Estimated Highway Construction - Cash Basis

|   | <b>FY 2010</b>         |
|---|------------------------|
| <b>Balance Forward <sup>1/</sup></b>                              | <b>\$1,143,842,000</b> |
| <b>Revenues</b>   |                        |
| Appropriated Statewide Highway Construction <sup>2/</sup>         | \$ 0                   |
| Appropriated Controlled Access Highways (MAG & PAG)               | 89,249,000             |
| Appropriated Debt Service   | 94,371,000             |
| Statewide Transportation Acceleration Needs Account <sup>3/</sup> | 97,582,000             |
| ½ Cent Sales Tax  | 197,200,000            |
| Federal Aid <sup>4/</sup>   | 868,670,000            |
| Grant Anticipation Note Proceeds <sup>5/</sup>                    | 30,000,000             |
| Miscellaneous Income/Expenses <sup>6/</sup>                       | 103,426,000            |
| <b>Subtotal - Revenues</b>  | <b>\$1,480,498,000</b> |
| <b>Total Funds Available for Construction</b>                     | <b>\$2,624,340,000</b> |
| <b>Debt Service Expenditures</b>                                  |                        |
| Appropriated Debt Service   | \$ 94,371,000          |
| HELP Loan Repayments  | 3,035,000              |
| Other Debt Service (All Other)                                    | 180,509,000            |
| <b>Subtotal - Debt Service</b>                                    | <b>\$ 277,915,000</b>  |
| <b>Planned Construction Expenditures</b>                          |                        |
| Statewide Highway Construction (including PAG)                    | \$ 604,000,000         |
| Controlled Access Highways (MAG)                                  | 1,047,580,000          |
| <b>Subtotal - Construction Expenditures</b>                       | <b>1,651,580,000</b>   |
| <b>Total Planned Expenditures</b>                                 | <b>\$1,929,495,000</b> |
| <b>Balance Forward</b>  | <b>\$ 694,845,000</b>  |

- <sup>1/</sup> Includes unexpended bond proceeds for bonds issued in prior years. The FY 2010 JLBC Baseline included a beginning balance of \$516,797,000. The main reason for the increase is that ADOT accelerated into FY 2009 the issuance of both Regional Area Road Fund bonds proceeds and Grant Anticipation Notes that were originally planned for FY 2010.
- <sup>2/</sup> The overall amount of new Highway Funds available for highway construction is projected to be \$(82,663,000). Since SHF cannot literally run a deficit, this amount is shown as \$0.
- <sup>3/</sup> Represents the portion of the appropriations to the STAN Account expected to be expended in FY 2010, including \$65,673,000 in Maricopa County, \$3,269,000 in Pima County, and \$28,640,000 in the other counties.
- <sup>4/</sup> Includes \$182,400,000 in American Recovery and Reinvestment Act funds.
- <sup>5/</sup> Proceeds reflect a cash expenditure basis.
- <sup>6/</sup> Includes all MAG and Statewide program miscellaneous revenues and expenses, including inflation discount factors, construction operating budget reimbursements, interest income, third party billings and paybacks, Regional Public Transportation Authority payments, and Motor Vehicle program fees retainage.

**Table 4****Percentage Distribution of HURF Monies**

|                                  |               |
|----------------------------------|---------------|
| Cities                           | 30.5%         |
| Counties                         | 19.0%         |
| Controlled Access <sup>1/</sup>  | 7.7%          |
| State Highway Fund <sup>1/</sup> | <u>42.8%</u>  |
| <b>Total</b>                     | <b>100.0%</b> |

<sup>1/</sup> A.R.S. § 28-6538 distributes 50.5% of HURF monies to SHF, with 12.6% of the monies distributed to SHF being allocated to controlled access highways in Maricopa and Pima Counties. The State Transportation Board adds 2.6% by Board Policy to the statutory 12.6%, making a total of 15.2% of SHF monies set aside for controlled access highways (50.5% of 15.2% = 7.676%). The controlled access monies are divided: 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

**Budget Reversions**

The budget includes the following midyear FY 2009 revisions and FY 2010 transfers to the General Fund from the funds listed below:

|  | <b><u>FY 2009</u></b> | <b><u>FY 2010</u></b> |
|--|-----------------------|-----------------------|
| Non-Highway Capital- State Aviation Fund | \$(635,000)           | 0                     |
| Non-Highway Capital - VLT                | (31,493,800)          | 0                     |
| Building Renewal - VLT                   | (2,974,200)           | 0                     |
| STAN Account Transfer                    | (104,000,000)         | 0                     |

**Non-Highway Capital Projects**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 transferred \$32,128,800 in monies previously appropriated to ADOT for non-highway capital projects to the General Fund. Of this amount, \$635,000 was transferred directly from the State Aviation Fund to the General Fund. Chapter 2 reverted \$6,697,600 and \$22,196,200 to HURF and SHF, respectively. An additional \$2,600,000 from the Safety Enforcement and Transportation Infrastructure Fund reverted back to the fund and it was subsequently transferred to SHF. Since HURF, SHF, and Safety Enforcement and Transportation Infrastructure Fund monies cannot be deposited directly into the General Fund, Chapter 2 transferred the first \$31,493,800 of VLT for distribution to SHF to the General Fund in FY 2009.

The \$32,128,800 in non-highway capital projects consists of the following:

|   | <b><u>FY 2009</u></b> |
|---|-----------------------|
| Far Southeast Valley Multi-Use Facility (FY 2008)   | \$(6,701,900)         |
| Vehicle Wash Systems (FY 2008 and FY 2009)          | (4,096,300)           |
| Surprise MVD Service (FY 2008)                      | (3,956,300)           |
| De-Icer Buildings (FY 2008 and FY 2009)             | (3,675,000)           |
| Safford Vehicle Maintenance Shop (FY 2008)          | (3,215,000)           |
| Oil and Asphalt Storage Tanks (FY 2008 and FY 2009) | (2,754,000)           |

|   |             |
|---|-------------|
| Far Southeast Valley Maintenance Yard (FY 2009)               | (2,350,000) |
| Payson MVD Service Center (FY 2006 and FY 2008)               | (2,145,300) |
| San Luis Inspection Station (FY 2009)                         | (2,000,000) |
| Grand Canyon Airport Water Storage Tank Renovations (FY 2008) | (635,000)   |
| Arizona Mexico Border Agreements (FY 2009)                    | (600,000)   |

**STAN Account Reversion**

Laws 2009, 1<sup>st</sup> Special Session, Chapter 1 included a FY 2009 reversion of \$(104,000,000) to the General Fund from the \$245,000,000 previously appropriated from the General Fund to the STAN account.

**Building Renewal Reversion**

Laws 2008, Chapter 289 originally appropriated \$4,052,000 from SHF to fund 50% of the portion of the revised building renewal formula in FY 2009. However, Laws 2009, 1<sup>st</sup> Special Session, Chapter 2 reverted \$(2,974,200) back to SHF in FY 2009. This amount of VLT was designated for deposit to SHF, then deposited into the General Fund, in FY 2009 because the Arizona Constitution does not allow SHF monies to be deposited directly into the General Fund.

**Additional Legislation****STAN Account Transfer**

The FY 2010 General Government Budget Reconciliation Bill (BRB) (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 7) allows the Director to transfer \$10,000,000 from a STAN subaccount to fund the Williams Gateway right-of-way acquisition project previously approved by the Transportation Board.

**Board Funding Obligations**

The FY 2010 General Government BRB also allows the State Transportation Board to sell \$200,000,000 of board funding obligations to a financial institution if they are not purchased by the State Treasurer. Before selling the board funding obligations, the Transportation Board is required to submit the authorizing resolution to the Joint Committee on Capital Review for review.

Table 5

**Highway User Revenue Fund (HURF) Distribution**  
**(\$ in Thousands)**

|   | <b>FY 2008</b>       | <b>FY 2009</b>         | <b>FY 2010</b>         |
|---|----------------------|------------------------|------------------------|
|   | <b><u>Actual</u></b> | <b><u>Estimate</u></b> | <b><u>Estimate</u></b> |
| <b>Total HURF Collections</b> <sup>1/</sup>   | \$1,344,477          | \$1,248,583            | \$1,248,600            |
| Less: Economic Strength Fund <sup>2/</sup>  | 1,000                | 1,000                  | 1,000                  |
| ADOT - MVD Operating Budget   | 584                  | 617                    | 620                    |
| Dept. of Public Safety (DPS) Transfer from HURF   | 10,000               | 84,950                 | 78,626                 |
| Dept. of Administration - Highway Hazards Assessment <sup>3/</sup>                          | <u>150</u>           | <u>0</u>               | <u>0</u>               |
| <b>Net HURF Collections</b>   | 1,332,743            | 1,162,016              | 1,168,354              |
| Less: Cities <sup>4/</sup>  | 404,434              | 354,415                | 356,348                |
| Counties <sup>4/</sup>  | 251,942              | 220,783                | 221,987                |
| Controlled Access <sup>5/</sup>   | 101,342              | 88,765                 | 89,249                 |
| Vehicle License Tax Transfer to General Fund <sup>6/</sup>                                  | 0                    | 66,989                 | 43,171                 |
| Vehicle License Tax Transfer to Parity Compensation Fund <sup>7/</sup>                      | <u>2,913</u>         | <u>2,840</u>           | <u>2,857</u>           |
| <b>Net State Highway Fund (Discretionary)</b>   | 572,112              | 428,224                | 454,742                |
| Plus: Other Income <sup>8/</sup>  | 14,717               | 17,595                 | 14,200                 |
| Less: Operating Budget  | 408,357              | 399,034                | 398,222                |
| Operating Carryovers, Adjustments and Transfers <sup>9/</sup>                               | 5                    | 5                      | 5                      |
| Capital Outlay and Building Renewal   | 7,405                | 920                    | 1,000                  |
| Motor Vehicle Third Party Payments <sup>10/</sup>   | 16,305               | 17,339                 | 16,751                 |
| DPS Transfer from Highway Fund  | 52,000               | 41,051                 | 41,256                 |
| DPS Microwave Communications System <sup>11/</sup>  | 826                  | 826                    | 0                      |
| Statewide Transportation Acceleration Needs (STAN) Account <sup>12/</sup>                   | 20,000               | 0                      | 0                      |
| Debt Service <sup>13/</sup>   | <u>76,951</u>        | <u>92,672</u>          | <u>94,371</u>          |
| <b>Net Highway Fund Available for Statewide Highway Const. (5-Year Plan) <sup>14/</sup></b> | 4,980                | (106,028)              | (82,663)               |
| <b>State Highway Fund Adjustments</b>   |                      |                        |                        |
| Plus: Discretionary State Highway Fund Beginning Balance                                    | 93,000               | 77,000                 | 7,000                  |
| Controlled Access State Highway Fund Beginning Balance                                      | 152,000              | 155,000                | 119,000                |
| STAN Account Beginning Balance  | 319,000              | 304,346                | 101,413                |
| Construction Operating Budget Reimbursements <sup>15/</sup>                                 | 60,000               | 60,000                 | 60,000                 |
| Discretionary State Highway Fund Bond Proceeds  | <u>200,000</u>       | <u>187,908</u>         | <u>0</u>               |
| <b>Total Highway Fund Available for Statewide Highway Construction</b>                      | <b>\$ 828,980</b>    | <b>\$ 678,226</b>      | <b>\$ 204,750</b>      |

<sup>1/</sup> Actual HURF collections totaled \$1.25 billion in FY 2009.

<sup>2/</sup> Provides monies for economic strength highway projects recommended by the Commerce and Economic Development Commission and approved by the State Transportation Board.

<sup>3/</sup> Laws 2007, Chapter 255 appropriated \$150,000 from HURF to the Department of Administration in FY 2008 to contract for an outside review of the state's highways for potential hazards.

<sup>4/</sup> A statutorily defined distribution of HURF monies for acquisition and construction of streets or highways.

<sup>5/</sup> A statutorily defined distribution of SHF monies for design, acquisition and construction of controlled access highways. The monies are divided 75% for Maricopa County and 25% for Pima County. Pima County may also use some of their monies for arterial streets and highways.

<sup>6/</sup> The FY 2010 General Appropriation Act (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11) transferred \$43,170,600 of VLT for distribution to SHF to the General Fund in FY 2010. This amount includes a Fund Reduction and Transfer of \$28,000,000 from SHF, a Highway Patrol Vehicle Replacement HURF transfer to DPS of \$6,780,000, and a VLT transfer of \$8,390,600.

<sup>7/</sup> Laws 2005, Chapter 306 transfers 1.51% of vehicle license tax for distribution to SHF to the Parity Compensation Fund beginning in FY 2006.

<sup>8/</sup> Includes interest and rental income, transfers from the Public Roads Fund, revenue from 4 formerly non-appropriated funds, and miscellaneous sales and other income. In FY 2009 only, this amount also includes \$3,394,700 in transfers from the Safety Enforcement and Transportation Infrastructure Fund to SHF.

<sup>9/</sup> Includes \$5,000 annual transfer to Legislative Council for multistate highway transportation agreement.

<sup>10/</sup> Statutory payments to third parties from vehicle license taxes collected by third parties.

<sup>11/</sup> Laws 2006, Chapter 345 appropriated \$826,000 from SHF in each of FY 2007, FY 2008 and FY 2009 to ADOT for distribution to DPS for the design, construction and implementation of a microwave communications system upgrade.

<sup>12/</sup> Laws 2007, Chapter 255 appropriated \$62,000,000 from SHF in FY 2008 for deposit in the STAN Account of SHF. Laws 2008, Chapter 53 transferred \$42,000,000 of the \$62,000,000 to DPS in FY 2008 for highway patrol costs.

<sup>13/</sup> Debt service on highway revenue bonds, does not include debt service payable from Maricopa and Pima controlled access funds.

<sup>14/</sup> Excludes Maricopa and Pima County controlled access funds, and bond, federal, and miscellaneous funds available for construction.

<sup>15/</sup> Construction operating budget monies reimbursed from Federal Funds, Maricopa Regional Area Road Fund and bond monies.

## Capital Outlay

### Arizona Board of Regents Building System

JLBC Analyst: Leah Kritzer/Leatta McLaughlin

FY 2010  
APPROVED

#### DEBT FINANCED PROJECT

|                             |          |
|-----------------------------|----------|
| University Capital Projects | 0        |
| <b>TOTAL</b>                | <b>0</b> |

#### FUND SOURCES

|                            |          |
|----------------------------|----------|
| General Fund               | 0        |
| <b>TOTAL - ALL SOURCES</b> | <b>0</b> |

**DESCRIPTION** — The Arizona Board of Regents (ABOR) Building System is comprised of buildings controlled by the Universities.

#### Debt Financed Project

##### University Capital Projects

The FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287) authorized ABOR to enter into lease-to-own and bond transactions up to a maximum of \$1,000,000,000 to pay for building renewal projects and new facilities. However, Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 permanently reduced ABOR's bonding authority from \$1,000,000,000 to \$800,000,000. ABOR originally could not issue more than \$285,000,000 in FY 2009 and not more than \$500,000,000 in FY 2010. Chapter 6 revised these amounts to limit bonding authority to \$167,671,200 in FY 2009 and \$400,000,000 in FY 2010.

Chapter 287 required ABOR to allocate \$470,000,000 of the \$1,000,000,000 in proceeds for construction of the University of Arizona (UA) Phoenix Biomedical Campus. The legislation permitted ABOR to determine the distribution of the remaining funds. Chapter 6 permanently reduced the allocation for the UA Biomedical Campus from \$470,000,000 to \$376,000,000. Of the remaining \$424,000,000 in proceeds, ABOR plans to allocate \$16,000,000 to Arizona State University's (ASU) School of Construction and \$136,000,000 to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

In October 2008, the 3 universities submitted \$167,671,200 (ASU \$34,350,000, UA \$68,506,200, and Northern Arizona University \$64,815,000) in building renewal projects, which represents a portion of each university's \$136,000,000 allocation, for review by the Joint Committee on Capital Review. At its November 13, 2008 meeting, the Committee favorably reviewed \$64,600,000 in fire, life, and safety building renewal projects of the \$167,671,200 in projects requested by the 3 universities. At its February 24, 2009

meeting, the Committee favorably reviewed the remaining \$103,071,200 of the original \$167,671,200 request.

Under Chapter 287, the annual debt service payments were designed to be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund and would be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. Due to the elimination of the Lottery's advertising cap in Chapter 287 and other procedural changes, the Lottery Commission expected to increase sales to pay for a deposit to the UCI Fund in FY 2009 and for their 80% portion of the annual debt service payments in FY 2010 and beyond. (*Please see the Lottery budget narrative pages for more information.*)

After all Lottery revenue beneficiaries received their statutory distributions, Chapter 287 required up to \$20,000,000 be deposited into the UCI Fund in FY 2009. While Lottery estimated that this fund would receive about \$12,700,000 in FY 2009, the fund received no revenue in FY 2009.

Chapter 287 also provided that the monies distributed from the UCI Fund would be exempt from the university debt limit calculations. However, each university is required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

The Higher Education BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 9) restricts Lottery distributions in FY 2010 and FY 2011 into the UCI Fund by not allowing Lottery revenues to exceed 80% of the required annual debt service for the \$167,671,200 in both years. The legislation prohibits any General Fund obligation for the debt service on ABOR's \$800,000,000 in lease-to-own and bond transaction authority.